

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) for an order authorizing it to increase rates for water service in 2004 in its Region 1 Customer Service Areas by \$179,200 or 2.62% in the Arden-Cordova CSA; \$93,400 or 1.98% in the Bay Point CSA; and \$115,900 or 4.55% in the Ojai CSA; and various other relief.

Application 03-10-057
(Filed October 30, 2003)

**DECISION AUTHORIZING FILING OF NEW ADVICE LETTERS
FOR INTERIM RATES UNDER PUB. UTIL. CODE § 455.2****Summary**

This decision reviews the recent rejection of three advice letters for interim rates under Pub. Util. Code § 455.2 and authorizes the filing of new advice letters.

Background

The general rate case (GRC) application referenced in the proceeding caption is pending before the Commission. On January 6, 2004, Southern California Water Company (SoCalWater), a Class A water utility regulated by this Commission, filed three advice letters requesting authority to implement interim rates, pursuant to Pub. Util. Code § 455.2, in each of the three the customer service areas at issue:

Advice Letter (AL) 1137-W (Bay Point District)

AL 1138-W (Arden-Cordova)

AL 1139-W (Ojai)

By letters dated March 4, 2004, the Commission's Water Division rejected each of the advice letters.

Discussion

As we discuss below, SoCalWater meets the statutory prerequisites and therefore may file advice letters for interim rate increases in Bay Point District, Arden-Cordova and Ojai.

First, Pub. Util. Code § 455.2(a) requires the Commission to issue a final decision in a Class A utility GRC so that new rates may be implemented by the first day of the first test year. The first test year for this application is January 2004. At the time SoCalWater filed its three advice letters, the schedule for this proceeding did not contemplate evidentiary hearings before April 13, 2004, three and one half months into the first test year. Subsequently, at the request of the parties, evidentiary hearings have been reset for June 1, 2004, and the Commission's decision will issue sometime after that.

Second, the delay in processing this GRC is not attributable to SoCalWater. According to statements made by both parties at the December 19, 2003 prehearing conference (PHC), the Commission's Office of Ratepayer Advocates (ORA) asked SoCalWater to delay filing the GRC application because ORA's resource constraints left ORA unable to address the GRC within the usual timeframe. Furthermore, no basis appears in the record to postpone the effectiveness of interim rates under Pub. Util. Code § 455.2(b) or to authorize "a lesser increase in interim rates" (i.e., an increase that is less than "the rate of inflation as compared to existing rates").

Third, at the PHC, ORA, the only other party to this proceeding, dropped its opposition to SoCalWater's Pub. Util. Code § 455.2 interim rate increase

request and then stipulated to the utility's right to file for interim rates. As the PHC transcript reflects, ORA initially argued that § 455.2 does not apply to the current rate case plan, which the Commission adopted in 1990, but only to the revisions that are being considered in Rulemaking (R.) 03-09-005. The Assigned Commissioner's December 29, 2003 scoping memo acknowledges ORA's stipulation, notes that the stipulation reduces the issues in dispute in this proceeding, and states that the utility will file an advice letter for interim rates.¹

The Assigned Commissioner's ruling does not expressly authorize the advice letter filing in its subsequent ruling paragraphs and for this reason, apparently, Water Division rejected the advice letters.² By this order we cure the perceived procedural lapse. SoCalWater may file new advice letters for interim rates, effective January 1, 2004, for Bay Point District, Arden-Cordova and Ojai. The interim rates are to be in an amount "equal to the to the rate of inflation as compared to existing rates." (Pub. Util. Code § 455.2(b).) The rate of inflation should be calculated using the most recent Consumer Price Index for all Urban Consumers (CPI-U), as set forth in Ordering Paragraph 2. As § 455.2 further requires, the interim rates will be subject to refund, depending upon our final decision on the GRC application.

¹ The stipulation is consistent with the Commission's October 2003 determination that § 455.2 applies to the current rate case plan. (See Decision 03-10-072, 2003 Cal. PUC LEXIS 517, *10)

² Water Division did not reject SoCalWater's advice letter filing for interim rates in connection with A.03-10-006, the pending GRC application for Region II, because the filing was authorized by ALJ ruling. In the future, we intend to authorize interim rate increases by Commission order.

Assignment of Proceeding

Michael R. Peevey is the Assigned Commissioner. Jean Vieth is the assigned Administrative Law Judge (ALJ).

Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 77.7 of the Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is being waived.

Findings of Fact

1. SoCalWater meets the statutory prerequisites for an interim rate increase under Pub. Util. Code § 455.2.
2. SoCalWater's request to implement interim rates is uncontested.

Conclusions of Law

1. SoCalWater should be authorized to file advice letters for interim rate increases in Bay Point District, Arden-Cordova and Ojai.
2. To cure, as quickly as possible, the procedural problem today's decision addresses, the decision should be effective immediately.

O R D E R**IT IS ORDERED** that:

1. Pursuant to Pub. Util. Code § 455.2, the Southern California Water Company may file new advice letters for interim rates, effective January 1, 2004, for these Region I customer service areas: Bay Point District, Arden-Cordova and Ojai.

2. The interim increase in rates shall be no greater than an amount equal to the rate of inflation as compared to existing rates. The rate of inflation shall be calculated using the most recent Consumer Price Index for All Urban Consumers (CPI-U) US City Average, All Items maintained by the U.S. Department of Labor. The interim increase in rates shall be subject to refund, depending upon the rates adopted in the final decision in this general rate case.

This order is effective today.

Dated _____, at San Francisco, California.